

RICHLAND COUNTY TRANSIT BOARD

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2013





Dave Yost • Auditor of State

Board of Trustees
Richland County Transit Board
35 North Park Street
Mansfield, Ohio 44902

We have reviewed the *Independent Auditors' Report* of the Richland County Transit Board, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Richland County Transit Board is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 21, 2014

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RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2013

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Richland County Transit Board, Richland County, Ohio (the Board), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richland County Transit Board, Richland County, Ohio, as of December 31, 2013, and the changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

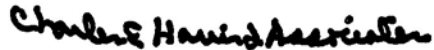
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
March 7, 2014

Richland County Transit Board
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The discussion and analysis of the Richland County Transit Board's (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should review the financial statements and the notes to the financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Total assets exceeded liabilities at the close of the most recent year by \$3,320,985 (net position). Of this amount, \$48,670 (unrestricted net position) may be used to meet ongoing obligations. Total net position decreased by \$297,219 (8.2%). This decrease is primarily due to the depreciation of fixed assets. No new fixed assets were added in 2013.

State and local government funds are both used to match Federal grants. Both of these sources of revenue saw increases in 2013.

Revenue from contracts with local human service agencies continues to increase annually, and is also used to match Federal grants.

Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows.

RCTB
Management's Discussion and Analysis
For the Year Ended December 31, 2013

STATEMENT OF NET POSITION

The Statement of Net Position looks at how well the Board has performed financially from inception through December 31, 2013. This statement includes all of the assets, liabilities, and net position balances using the accrual basis of accounting, which is the method used by most private-sector companies, and the method that is required by the Federal Transit Administration.

This basis of accounting takes into account all revenues earned and expenses incurred during the accounting period, regardless of when the cash is received or expended.

The following schedule provides a summary of the Board's Statement of Net Position for the fiscal years ended December 31, 2013, and December 31, 2012:

Assets	2013	2012
Current Assets	\$157,832	\$169,704
Non-current Assets	<u>3,272,315</u>	<u>3,589,283</u>
Total Assets	\$3,430,147	\$3,758,987
Liabilities		
Current Liabilities	<u>\$109,162</u>	<u>\$140,783</u>
Net Position		
Invested in Capital Assets	\$3,272,315	\$3,589,283
Unrestricted	<u>48,670</u>	<u>28,921</u>
Total Net Position	<u><u>\$3,320,985</u></u>	<u><u>\$3,618,204</u></u>

RCTB
Management's Discussion and Analysis
For the Year Ended December 31, 2013

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position reports operating and non-operating activities for the fiscal year ended December 31, 2013. The following schedule provides a summary of the Board's Statement of Revenues, Expenses, and Changes in Net Position, for the fiscal years ended December 31, 2013, and December 31, 2012.

Revenues	2013	2012
Federal Government	\$1,218,476	\$1,234,445
State Government	197,886	188,452
Local Government	93,176	67,738
Lease Revenue	9,032	10,125
Transit System Revenue	320,462	298,112
Expense Reimbursement	23	275
Total Revenue	\$1,839,055	\$1,799,147
Expenses		
Purchased Services	\$1,474,760	\$1,442,221
Board Member Compensation	7,129	8,070
Professional Services	8,943	8,484
Equipment and Supplies	14,451	34,376
Depreciation	316,968	326,154
Fuel	221,484	232,237
Insurance	82,250	82,817
Miscellaneous	10,289	24,097
Total Expenses	\$2,136,274	\$2,158,456
Change in Net Position	(297,219)	(359,309)
Net Position - Beginning	\$3,618,204	\$3,977,513
Net Position - Ending	\$3,320,985	\$3,618,204

Revenue Variances

Though the Federal Funds revenue total is not changed significantly, the Capital Improvements line is decreased and the Operating line is increased. This is due to some fuel expenses being reimbursed as "capital" expenses in 2012 as part of a one-time program.

Local entity funds were increased by 16.8% in 2013. Because some fuel expenses in 2012 were reimbursed by the Federal grant at 80% instead of 50%, the City of Mansfield CDBG funds which would have been used to match that expense at 50% were carried over to 2013.

The lease revenue was reduced by 10.8% in 2013 due to the closing of the Greyhound office in the Stanton Transit Center. The transit center remains an unmanned Greyhound stop, and it is not expected that the lease revenue will be reinstated.

Though the transit system revenue collectively was increased by only 4.7%, there are notable variances in some lines within that revenue category. The variances do not represent a significant dollar amount, however, the percentage by line is high. The revenue reduction in the Local Special Fare Assistance line is revenue that is now included in the Contract Revenue Service line. The Operator Interest and Operator Other Revenue line totals are so small that even the minor dollar value reduction appears significant when represented as a percentage. This is also true of the increase in advertising and miscellaneous revenue.

The fare retained by the City of Shelby for the Shelby Taxi service are reduced due to their agreement with the local Area Agency on Aging, through which the Agency pays a lump sum to the City in lieu of riders over the age of sixty (60) years being required to pay a fare.

Expense Variances

The RCRPC Planning expenses were increased by 13.5%. Over a period of nearly nine (9) months, there was a significant amount of RPC staff time spent on the Management Services procurement, including updating and distributing the Request for Proposals, responding to requests for additional information, reviewing the proposals and participating in the interview and decision making process, working with the Richland County Prosecutor's office and creating draft and final service agreement documents.

There were no Capital Maintenance, Bus Parts, or Stanton Maintenance expenditures in 2013 resulting in 100% decreases in each of these lines compared to 2012.

The Equipment and Supplies line is reduced by 55.5% as compared to 2012, as there was a single purchase of replacement radio equipment in 2012 in the amount of \$19,160. With this item removed, the variance is a 1.1% increase.

*RCTB
Management's Discussion and Analysis
For the Year Ended December 31, 2013*

Though System Operation expense collectively was increased by only 1.9%, there are notable variances in some lines within that expense category. The variances do not represent a significant dollar amount, however, the percentage by line is high. The expense decrease in the Other System Operation and Shelby Taxi Maintenance lines are so small that even the minor dollar value reduction appears significant when represented as a percentage. The same is true of the Board Compensation Expense, which shows a decrease of 11.7%.

STATEMENT OF CASH FLOW

The revenues and expenses of the Board are deposited into, and paid from, the accounts of the Richland County Treasurer's office. Cash that is maintained in the accounts of the operations contractor, Transit Management of Richland (TMR), by contract, is also the property of the Board. These accounts are maintained for the purpose of day to day operation of the transit system, including paying payroll and the purchasing of parts, supplies, purchased maintenance, and other expenses of the transit system. The daily farebox receipts and other incidental income are deposited into the TMR account. On December 31, 2013, TMR was in possession of \$43,315 in Board funds. This is included in the cash flow summary and in the current assets.

Below is a summary of the cash flow activity for the year ending December 31, 2013.

STATEMENT OF CASH FLOW	Richland County Treasury	Transit Management of Richland
Beginning Balance	\$4,869	\$34,612
Receipts	\$1,722,276	\$1,194,891
Disbursements	\$1,723,357	\$1,186,188
Ending Balance	\$3,788	\$43,315

Capital Assets

As of December 31, 2013, the Board had capital assets of \$3,272,315 invested in real property, including the bus garage and transit center, rolling stock, operating equipment, furniture, tools, and other items. This is a decrease of \$316,968 from December 31, 2012. No capital assets were purchased in 2013, and, as noted, this decrease is a result of standard annual depreciation.

Other Current Financial Items of Interest

Continued funding uncertainty at the State and local level make year to year planning and budgeting difficult. The use of Federal funds requires local matching funds.

The volatility of fuel prices continues to be a concern. This expense accounted for 12% of the Board's expenses in 2013. The Board was able to negotiate a reduced rate for the management services agreement beginning in January of 2014, however, this cost savings is likely to be mitigated by increases in health care and other operating staff expenses.

**RICHLAND COUNTY TRANSIT BOARD
 RICHLAND COUNTY
 STATEMENT OF NET POSITION
 DECEMBER 31, 2013**

	2013
<u>CURRENT ASSETS</u>	
Cash in TMR	\$43,315
Cash with Richland County Treasurer	3,788
Accounts Receivable	110,729
TOTAL CURRENT ASSETS	157,832
 <u>CAPITAL ASSETS</u>	
Nondepreciable Capital Assets	1,052,683
Depreciable Capital Assets, Net	2,219,632
TOTAL ASSETS	\$3,430,147
 <u>CURRENT LIABILITIES</u>	
Accounts Payable	\$109,162
TOTAL CURRENT LIABILITIES	109,162
 <u>NET POSITION</u>	
Net Investment in Capital Assets	3,272,315
Unrestricted	48,670
TOTAL NET POSITION	\$3,320,985

The notes to the financial statements are an integral part of these statements.

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013
<u>OPERATING REVENUES:</u>	
Lease Revenue	\$9,032
Transit System Revenue:	
Farebox Receipts	145,834
Local Special Fare Assistance	2,764
Contract Transit Service	134,178
Fares Retained by Provider	440
Miscellaneous	37,269
TOTAL OPERATING REVENUES	329,517
<u>OPERATING EXPENSES:</u>	
Purchased Services	1,474,760
Board Members Compensation	7,129
Professional Services	8,943
Equipment and Supplies	14,451
Fuel	221,484
Insurance	82,250
Miscellaneous	10,289
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	1,819,306
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(1,489,789)
Depreciation Expense	316,968
TOTAL OPERATING EXPENSES	2,136,274
OPERATING INCOME (LOSS)	(1,806,757)
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
Federal	1,218,476
State	197,886
Local Government	93,176
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,509,538
Changes in Net Position	(297,219)
Net Position Beginning of Year	3,618,204
Net Position End of Year	\$3,320,985

The notes to the financial statements are an integral part of these statements.

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 2013**

	2013
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 329,517
Cash Paid for Purchased Services	(1,506,381)
Cash Paid to Board Members	(7,129)
Cash Paid to Suppliers	(337,417)
<i>Net cash provided/(used) for operating activities</i>	\$ (1,521,410)
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Operating Grants	\$ 1,529,032
<i>Net cash provided/(used) for non-capital financing activities</i>	\$ 1,529,032
Net increase in cash and cash equivalents	7,622
<i>Cash and cash equivalents, January 1,</i>	\$ 39,481
<i>Cash and cash equivalents, December 31,</i>	\$ 47,103
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (1,806,757)
Adjustments to reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation expense	316,968
Increase/(decrease) in liabilities: Accounts Payable	(31,621)
Total Adjustments	285,347
<i>Net cash provided/(used) for operating activities</i>	\$ (1,521,410)

The notes to the financial statements are an integral part of these statements.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2013**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Richland County Transit Board (the Transit Board) was organized in 1977 under Section 306 of the Ohio Revised Code to operate a transit system. The Transit Board provides public transportation services in the Richland County metropolitan area. The Transit Board operates under an appointed Board (seven members) that is responsible for the provisions of public transportation.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", the Transit Board is not considered part of the Richland County financial reporting entity. There are no agencies or organizations for which the Transit Board is considered the primary government. Accordingly, the Transit Board is the sole organization of the reporting entity.

The Transit Board maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Transit Board and, accordingly, these financial statements do not present the financial position or results of operations of Richland County.

The Transit Board has no employees. A management team, through a contract with First Transit, Inc., operates the transit system. The general manager and the maintenance director are employees of First Transit. First Transit is paid a flat monthly fee for these services, per a five-year contract. The bus drivers, mechanics, office, and cleaning people are all employees of the sub-corporation of First Transit, Transit Management of Richland. On a monthly basis, the Transit Board reimburses Transit Management of Richland for all net costs incurred. The Richland County Regional Planning Commission provides fiscal and secretarial support to the Transit Board. The Planning Commission bills the Transit Board monthly for services provided.

The Board members of the Transit Board are compensated for each monthly meeting that they attend. They are paid through the Richland County payroll system.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Transit Board. The financial information contained in these statements is the responsibility of the Transit Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In accordance with generally accepted accounting principles for governmental entities such as the Transit Board, an enterprise fund is used to account for operations since they are financed and operated in a manner similar to a private business enterprise. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Transit Board follows GABS guidance as applicable to enterprise funds. The Transit Board will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

The Transit Board prepares its financial statements on the accrual basis of accounting, using a flow of economic resources measurement focus. Revenue is recognized in the period earned and expenses are recognized in the period incurred. Operating revenues consist primarily of receipts from farebox and contracted services, and operating grants. Operating expenses include purchased services, professional services, supplies, fuel and insurance costs, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Assets are recorded at the time there is a right, now or in the future, for their receipt, and liabilities are recorded when they are incurred.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Cash Deposits

The Transit Board deposits all receipts in the Richland County Treasury and TMR bank account. The County Treasurer and TMR maintains cash and investment pools used for all County and Transit Board funds. The Transit Board has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury or with TMR. At year-end, the carrying amount of RCTB's deposits with the Richland County Auditor was \$3,788 and at TMR was \$43,315. The Richland County Auditor and TMR, as the fiscal agents for RCTB are responsible for maintaining adequate depository collateral for all funds in their respective cash and deposits accounts. All deposits were covered by FDIC at year-end.

C. Investments

The Ohio Revised Code does not provide the Transit Board the power to make or hold investments other than the deposits in the Richland County Treasury.

D. Capital Assets

Capital assets are stated at cost and are depreciated on the straight line method over their estimated useful lives that range from five to forty years. Donated property and equipment is recorded at fair market value on the date donated. Upon sale or disposition of furniture and equipment, the cost and related depreciation are removed from the accounts and any gain or loss is recognized.

E. Cash Equivalents

For the purposes of the statement of cash flows, the Transit Board considers all cash held by the Richland County Treasury and TMR to be cash equivalents since they are available to the Transit Board upon demand.

F. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Transit Board applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net investment in capital assets consists of capital less accumulated depreciation.

G. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2013**

NOTE 3 – CAPITAL ASSETS

The following schedule reflects changes in property and equipment:

Description	<u>Balance 1/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2013</u>
Capital assets not being depreciated:				
Land	\$ 1,052,683	\$ -	\$ -	\$ 1,052,683
Capital assets being depreciated:				
Building & building improvements	2,480,625	-	-	2,480,625
Office Equipment	70,867	-	(4,871)	65,996
Operating Equipment	<u>3,168,651</u>	<u>-</u>	<u>(20,421)</u>	<u>3,148,230</u>
Total capital assets being depreciated	<u>5,720,143</u>	<u>-</u>	<u>(25,292)</u>	<u>5,694,851</u>
Total Capital Assets	<u>6,772,826</u>	<u>-</u>	<u>(25,292)</u>	<u>6,747,534</u>
Less accumulated depreciation:				
Building & building improvements	(1,709,649)	(82,688)	-	(1,792,337)
Office Equipment	(70,401)	(237)	4,871	(65,767)
Operating Equipment	<u>(1,403,493)</u>	<u>(234,043)</u>	<u>20,421</u>	<u>(1,617,115)</u>
Total accumulated depreciation	<u>(3,183,543)</u>	<u>(316,968)</u>	<u>25,292</u>	<u>(3,475,219)</u>
Total capital assets being depreciated, net	<u>2,536,600</u>	<u>(316,968)</u>	<u>-</u>	<u>2,219,632</u>
Total capital assets, net	<u>\$ 3,589,283</u>	<u>\$ (316,968)</u>	<u>\$ -</u>	<u>\$ 3,272,315</u>

NOTE 4 – RISK MANAGEMENT

The Transit Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries and natural disasters. The Transit Board contracts with private carriers for coverage. Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2013**

NOTE 5 – CONTINGENCIES

Federal and State grants are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowances, if any, would be immaterial.

Richland County Transit Board
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration			
Federal Transit Cluster:			
Federal Transit Formula Grant	OH-90-X740	20.507	\$ 390,970
Federal Transit Formula Grant	OH-90-X787	20.507	481,092
Federal Transit Formula Grant	OH-95-X146	20.507	<u>166,500</u>
Total Federal Transit Cluster			<u>1,038,562</u>
Total Department of Transportation			<u>\$ 1,038,562</u>
 <u>U.S. Department of Housing and Urban Development</u>			
Pass through Richland County			
Community Development Block Grants	B-F-12-1CM-1	14.218	\$ 49,183
Community Development Block Grants	B-F-13-1CM-1	14.218	34,393
Pass through City of Mansfield			
Community Development Block Grants	B-12-MC39-0017	14.218	49,454
Community Development Block Grants	B-13-MC39-0017	14.218	<u>46,884</u>
Total Department of Housing and Urban Development			<u>179,914</u>
Total Expenditures of Federal Awards			<u>\$ 1,218,476</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

RICHLAND COUNTY TRANSIT BOARD
Richland County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Board's federal award programs. The schedule has been prepared on the accrual basis of accounting.

2. Matching Requirements

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland County Transit Board, Richland County, (the Board) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.


Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated March 7, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
March 7, 2014

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Richland County Transit Board's (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Richland County Transit Board's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal program.

Management's Responsibility

The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Richland County Transit Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Federal Awards Expenditures

We have also audited the financial statements of the Richland County Transit Board, Richland County as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated March 7, 2014. We conducted our audit to opine on the Board's basic financial statements. The accompanying schedule of federal awards expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
March 7, 2014

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
December 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Federal Transit Formula Grants, CFDA #20.507
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
December 31, 2013**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2012, reported no material citations or recommendations.

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Dave Yost • Auditor of State

RICHLAND COUNTY TRANSIT BOARD

RICHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2014**